



# Traditional IRA Custodial Account Agreement

IRS Form 5305-A (Rev. April 2017)  
Department of the Treasury  
Internal Revenue Service

**DO NOT FILE  
with the  
Internal Revenue Service**

## Form 5305-A under Section 408(a) of the Internal Revenue Code

The following provisions are part of the Traditional Individual Retirement Account Custodial Account Application (hereinafter called the "Agreement") made between STRATA Trust Company (hereinafter called the "Custodian") and each individual (hereinafter called the "Depositor") who executes the Agreement for the purpose of establishing an individual retirement account (hereinafter called the "Account") as described in Section 408(a) of the Internal Revenue Code of 1986 ("IRC"), as amended, or any successor statute (hereinafter called the "Code"). Articles I-VII below utilize the model IRS language shown on Traditional IRA Form 5305-A. As permitted under these IRS model forms, Custodian has added the provisions in Articles VIII through XVII.

### ARTICLE I

1.1 Except in the case of a rollover contribution described in section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16), an employer contribution to a simplified employee pension plan as described in section 408(k), or a recharacterized contribution described in section 408A(d)(6), the custodian will accept only cash contributions up to \$5,500 per year for tax year 2018 and up to \$6,000 for tax year 2019. For individuals who have reached the age of 50 by the end of the year, the contribution limit is increased to \$6,500 for tax year 2018 and to \$7,000 for tax year 2019. For years after 2019, these limits will be increased to reflect a cost of living adjustment, if any.

### ARTICLE II

2.1 The depositor's interest in the balance in the custodial account is nonforfeitable.

### ARTICLE III

3.1 No part of the custodial account funds may be invested in life insurance contracts, nor may the assets of the custodial account be commingled with other property except in a common trust fund or common investment fund (within the meaning of section 408(a)(5)).

3.2 No part of the custodial account funds may be invested in collectibles (within the meaning of section 408(m)) except as otherwise permitted by section 408(m)(3), which provides an exception for certain gold, silver, and platinum coins, coins issued under the laws of any state, and certain bullion.

### ARTICLE IV

4.1 Notwithstanding any provision of this Agreement to the contrary, the distribution of the depositor's interest in the custodial account shall be made in accordance with the following requirements and shall otherwise comply with section 408(a)(6) and the regulations thereunder, the provisions of which are herein incorporated by reference.

4.2 The depositor's entire interest in the custodial account must be, or begin to be, distributed not later than the depositor's required beginning date, April 1 following the calendar year in which the depositor reaches age 70½. By that date, the depositor may elect, in a manner acceptable to the custodian, to have the balance in the custodial account distributed in:

- (a) A single sum or
- (b) Payments over a period not longer than the life of the depositor or the joint lives of the depositor and his or her designated beneficiary.

4.3 If the depositor dies before his or her entire interest is distributed to him or her, the remaining interest will be distributed as follows:

(a) If the depositor dies on or after the required beginning date and:

- (i) the designated beneficiary is the depositor's surviving spouse, the remaining interest will be distributed over the surviving spouse's life expectancy as determined each year until such spouse's death, or over the period in paragraph (a)(iii) below if longer. Any interest remaining after the spouse's death will be distributed over such spouse's remaining life expectancy as determined in the year of the spouse's death and reduced by 1 for each subsequent year, or, if distributions are being made over the period in paragraph (a)(iii) below, over such period.

- (ii) the designated beneficiary is not the depositor's surviving spouse, the remaining interest will be distributed over the beneficiary's remaining life expectancy as determined in the year following the death of the depositor and reduced by 1 for each subsequent year, or over the period in paragraph (a)(iii) below if longer.

- (iii) there is no designated beneficiary, the remaining interest will be distributed over the remaining life expectancy of the depositor as determined in the year of the depositor's death and reduced by 1 for each subsequent year.

(b) If the depositor dies before the required beginning date, the remaining interest will be distributed in accordance with paragraph (i) below or, if elected or there is no designated beneficiary, in accordance with paragraph (ii) below:

- (i) The remaining interest will be distributed in accordance with paragraphs (a)(i) and (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), starting by the end of the calendar year following the year of the depositor's death. If, however, the designated beneficiary is the depositor's surviving spouse, then this distribution is not required to begin before the end of the calendar year in which the depositor would have reached age 70½. But, in such case, if the depositor's surviving spouse dies before distributions are required to begin, then the remaining interest will be distributed in accordance with paragraph (a)(ii) above (but not over the period in paragraph (a)(iii), even if longer), over such spouse's designated beneficiary's life expectancy, or in accordance with paragraph (ii) below if there is no such designated beneficiary.

- (ii) The remaining interest will be distributed by the end of the calendar year containing the fifth anniversary of the depositor's death.

4.4 If the depositor dies before his or her entire interest has been distributed and if the designated beneficiary is not the depositor's surviving spouse, no additional contributions may be accepted in the account.

4.5 The minimum amount that must be distributed each year, beginning with the year containing the depositor's required beginning date, is known as the "required minimum distribution" and is determined as follows:

- (a) The required minimum distribution under paragraph 4.2(b) for any year, beginning with the year the depositor reaches age 70½, is the depositor's account value at the close of business on December 31 of the preceding year divided by the distribution period in the uniform lifetime table in Regulations section 1.401(a)(9)-9. However, if the depositor's designated beneficiary is his or her surviving spouse, the required minimum distribution for a year shall not be more than the depositor's account value at the close of business on December 31 of the preceding year divided by the number in the joint and last survivor table in Regulations section 1.401(a)(9)-9. The required minimum distribution for a year under this paragraph (a) is determined using the depositor's (or, if applicable, the depositor and spouse's) attained age (or ages) in the year.
- (b) The required minimum distribution under paragraphs 4.3(a) and 4.3(b)(i) for a year, beginning with the year following the year of the depositor's death (or the year the depositor would have reached age 70½, if applicable under paragraph 4.3(b)(i)) is the account value at the close of business on December 31 of the preceding year divided by the life expectancy (in the single life table in Regulations section 1.401(a)(9)-9) of the individual specified in such paragraphs 4.3(a) and 4.3(b)(i).
- (c) The required minimum distribution for the year the depositor reaches age 70½ can be made as late as April 1 of the following year. The required minimum distribution for any other year must be made by the end of such year.

4.6 The owner of two or more traditional IRAs may satisfy the minimum distribution requirements described above by taking from one traditional IRA the amount required to satisfy the requirement for another in accordance with the regulations under section 408(a)(6).

#### ARTICLE V

5.1 The depositor agrees to provide the custodian with all information necessary to prepare any reports required by section 408(i) and Regulations sections 1.408-5 and 1.408-6.

5.2 The custodian agrees to submit to the Internal Revenue Service (IRS) and depositor the reports prescribed by the IRS.

#### ARTICLE VI

6.1 Notwithstanding any other articles which may be added or incorporated, the provisions of Articles I through III and this sentence will be controlling. Any additional articles inconsistent with section 408(a) and the related regulations will be invalid.

#### ARTICLE VII

7.1 This agreement will be amended as necessary to comply with the provisions of the Code and the related regulations. As permitted under this IRS model form, STRATA Trust Company has added the provisions in Article VIII through XVII, and these Articles may also be amended from time to time as provided in paragraph 15.1. The provisions added by STRATA Trust Company have not been reviewed or pre-approved by the IRS.

#### DEFINITIONS

Custodian – STRATA Trust Company

Depositor - The individual who establishes the custodial Account.

#### ARTICLE VIII – CONTRIBUTIONS

8.1 All contributions made to the custodial Account shall be in cash, except in the case of a rollover or transfer contribution.

8.2 For any year, Depositor may contribute to his or her IRA during the calendar year and not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).

8.3 Except in the case of a rollover IRA or a plan-to-plan transfer, contributions made by or on behalf of Depositor shall not be made during or after the calendar year in which Depositor attains age 70½ years.

8.4 The Depositor assumes sole responsibility for determining that contributions to the custodial Account do not exceed the limits specified in the Code. With respect to any contribution designated by the Depositor as a rollover contribution, the Depositor warrants:

- (a) that such amount is an "eligible rollover distribution" under Section 402 of the Code received from a qualified plan or 403(b) plan, another individual retirement account or annuity, or a U.S. retirement bond, and is rolled over directly from an eligible retirement plan, or contributed to the custodial Account established hereunder within sixty (60) days of its receipt by Depositor;
- (b) that in case of a rollover from a qualified plan or 403(b) plan, the amount of such rollover contribution is an amount equal to or less than the excess of the qualified total distribution or partial distribution over amounts contributed thereto by Depositor (other than qualified voluntary employee contributions as described in Section 219 (e) of the Code) and, if any portion of such rollover consists of property other than cash, such distribution to Depositor consisted of the same property being contributed to the custodial Account established hereunder; and
- (c) that, in the case of a rollover contribution from another individual retirement account or individual retirement annuity, such other account or annuity was not itself funded by a rollover contribution from another IRA within one (1) year of the date of the contribution to the custodial Account established hereunder.

8.5 If the Account is an inherited IRA (an IRA the Depositor receives as the beneficiary of a deceased owner's IRA), then Depositor may not make regular contributions to the Account. An inherited IRA may receive multiple transfers from other inherited IRA accounts and/or multiple rollover contributions from inherited qualified retirement plans. Depositor understands that the assets must be inherited from the same owner.

8.6 The Custodian will not be responsible for the computation and the collection of any contributions under this Agreement, and shall be under no duty to determine whether the nature or amount of any contributions is in accordance with this Agreement or the Code. In addition, the Custodian shall not be responsible for computing or maintaining a record of the deductible portion of any contribution.

#### ARTICLE IX – INVESTMENTS

9.1 The Depositor acknowledges that the Account is self-directed, and Depositor is solely responsible for the selection, management, monitoring, and retention of all investments held within the Account. Custodian is in no way responsible for providing investment advice or recommendations concerning the Account and is not a "fiduciary" for the Account as such term is defined in the Code, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), by the Texas Department of Savings and Mortgage Lending or under any other applicable federal, state or local laws. The Custodian has no responsibility to question any investment direction given by Depositor or his or her Designated Representative (if Depositor has appointed one) regardless of the nature of the investment. Custodian is in no way responsible for the performance of any investment(s) held within the Account. At the direction of the Depositor, the Custodian shall

invest all contributions to the Account and earnings thereon. If the Depositor has not given the Custodian investment direction orders, or if such investment direction orders are unclear in the opinion of the Custodian, with respect to all or a portion of any cash held in the Account, all such undirected cash shall be deposited by the Custodian, as soon as reasonably possible, in the Custodial NOW account (further described in Article 9.2) pending receipt of an investment direction or required clarification. If investment direction orders are not received as required or, if received, are unclear in the opinion of the Custodian, all or a portion of the contribution may be held in the Custodial NOW account without liability for loss of income or appreciation and without liability for interest pending receipt of such orders or clarification. Upon death of the Depositor, the beneficiary(ies) and/or representative for the estate of the Depositor assume all rights and responsibilities for investment of the Account.

9.2 By executing the IRA Application, Depositor directs the Custodian to automatically deposit all deposits, transfers, earnings, and other cash received into a Negotiable Order Withdrawal (NOW) account, as defined in 12 U.S.C.A Section 1832, held by STRATA Trust Company, as Custodian, pending further investment instruction from Depositor. The Custodial NOW account is an FDIC-insured bank account, which pays a rate of interest that is reviewed and adjusted periodically in accordance with market conditions. Interest Rates are determined at the Custodian's sole discretion. Interest on deposits will be calculated on the Daily Balance Method, which applies a periodic rate to the principal in the Account each day. Interest begins to accrue no later than the business day the Custodian receives credit for the deposits. The Custodial NOW account is FDIC-insured up to \$250,000 per Depositor. Custodian will maintain the Custodial NOW account with its affiliate, Horizon Bank, SSB, and/or other depository banks selected by Custodian. Custodian is a wholly-owned subsidiary of Horizon Bank, SSB, which is headquartered in Austin, Texas. Custodian will perform all sub-accounting, recordkeeping, and interest posting functions (where applicable) for the Custodial NOW account and may receive compensation for these services. Such compensation shall be administrative charges of the type which would be borne directly by the Custodial NOW account and/or paid to a third-party for similar services, but may exceed the amount Horizon Bank or other depositories would pay to a third-party providing such services. However, no portion of such sub-accounting, recordkeeping, and interest posting compensation paid by Horizon Bank or other depositories to Custodian will be charged to Depositor's Account. Custodian reserves the right to require Depositor to give Custodian written notice of an intended withdrawal not less than seven days before the withdrawal of the deposits (plus any interest) is made. Any deposit received via check may be subject to a seven (7) day clearing period before funds are available for investment or withdrawal.

9.3 On a form acceptable to the Custodian, the Depositor may designate a representative for the purpose of communicating investment directions to the Custodian and receiving information on the Account. The Depositor's Representative ("Rep") may be a registered representative of a broker/dealer organization, a financial advisor or any other person designated and authorized by the Depositor. Depositor will communicate all trade and/or investment instructions to the Rep and all instructions received by the Rep (including Rep's agents, employees or broker dealer) shall be assumed by Custodian to have been authorized by Depositor. Depositor may change or remove the Rep at any time by notifying Custodian in writing. Any instructions received from the Rep prior to the Custodian's receipt of such notification will be executed by Custodian. The Custodian will make no investigation

or recommendation with respect to Depositor's Rep and will not compensate the Rep except for any payments directed by Depositor. The Rep is an agent of the Depositor and is in no way an agent, employee, representative, or affiliate of the Custodian. The Custodian is not responsible for and is not bound by any representations, warranties, statements or agreements made by the Rep beyond the terms and provisions contained in this Agreement or Custodian's service forms and/or documents. If another financial representative, broker, advisor, investment issuer or other party suggested that the Depositor retain Custodian for an investment(s) made within the Account, such individual or party is in no way an agent, employee, representative, or affiliate of the Custodian. Depositor agrees to indemnify and hold harmless the Custodian for any loss which may result from any action or inaction it takes in accordance with any written or verbal instructions received from the Rep on behalf of Depositor's Account.

If the Rep has requested on the Custodian's Advisor Access Request form that the Custodian provide Account activity information to designated third-party portfolio management services utilized by the Rep, the Custodian is authorized and may continue to share such data downloads with the Rep's third-party portfolio management services, unless and until the Depositor advises the Custodian in writing that the Depositor has changed or removed the Rep. The Custodian shall have no liability with respect to the sharing of Account data with a Rep's third-party portfolio management services as authorized on the executed Advisor Access Request form provided to the Custodian by the Rep.

9.4 In the Agreement or on a form acceptable to the Custodian, the Depositor may authorize the Custodian to accept verbal investment directions from the Depositor or his or her Rep. References herein relating to the Depositor's verbal direction of investments shall be deemed to refer to the Rep to the extent of the investment direction authority from the Depositor. Said verbal investment directions may be given by telephone or in person in the offices of the Custodian. Depositor agrees that Custodian is not responsible for verifying the propriety of any verbal investment direction which it may receive, other than requiring Depositor's Social Security Number and Account Number for identification purposes. Depositor further agrees that the Custodian is not responsible for unauthorized trades in the Account which may be effected under this Section.

9.5 If the Depositor directs the Custodian to purchase publicly-traded securities, orders shall be executed through a securities broker/dealer registered under the Securities Exchange Act of 1934 designated by the Depositor upon such form as the Custodian may prescribe. Any brokerage account maintained in connection herewith shall be in the name of the Custodian for the benefit of the Depositor. Investment directions may be given directly to the designated broker by the Depositor (in such manner as the broker may require or permit, including without limitation via the broker's website or other electronic means) and the Custodian shall not be responsible for the execution of such orders. In connection with investment directions by Depositor given directly to the broker, Depositor agrees that Depositor shall comply fully with any terms and conditions required by such broker. The Custodian shall be authorized to honor transactions within the brokerage account without obligation to verify prior authorization of same by the Depositor. Without limiting the generality of any other indemnification by Depositor to Custodian, Depositor does hereby agree to indemnify, defend and hold harmless Custodian from and against any and all claims, losses, causes of action, expenses (including reasonable attorneys' fees),

costs and liabilities suffered or incurred by Custodian arising from or relating to (a) any direction or order given, or alleged to have been given, by Depositor or Rep to any such broker or (b) any errors or misconduct on the part of the broker in processing, executing, safekeeping or reporting any such direction or order, or alleged direction or order, or the securities or proceeds resulting therefrom. Any cash received by the brokerage account, whether as income or proceeds of transactions, shall be held by the brokerage account pending directions, and the Custodian shall have no obligation to direct the broker to remit such cash until directed to do so by the Depositor, but may receive remittances without direction if the same are made by the broker. Investments outside the brokerage account shall be made in accordance with the other provisions of this Agreement. When securities are purchased within the brokerage account requiring that funds be remitted by the Custodian to make settlement, Depositor agrees to telephonically notify or instruct the broker or Rep to telephonically notify the Custodian on the trade date of the pending securities transaction, and to request delivery of the custodial Account assets necessary to settle the trade. Without limiting the generality of any other indemnification by Depositor to Custodian, Depositor agrees to hold the Custodian harmless for any losses resulting from the Depositor's failure to notify the Custodian of the pending trade and request for settlement in the above prescribed manner.

9.6 Depositor may direct the Custodian to purchase alternative investments, which include but are not limited to investments individually negotiated by the Depositor or his or her Rep, and investments that are part of a private placement of securities offered in reliance upon exemptions provided by state and/or federal law. The Custodian may identify investments or classes of investments which are unacceptable due to their posing an administrative burden on the Custodian or potential for prohibited transactions. For such investments, the Custodian reserves the right to not follow the Depositor's or Rep's direction or to not process such an investment. The Custodian's decision to reject certain assets for reasons of administrative feasibility or potential for constituting a prohibited transaction may not be construed as either investment advice, the exercise of discretion with respect to investments, an evaluation of the investment's prudence or viability, or a determination that such investment is in fact a prohibited transaction and, likewise, the Custodian's decision to accept a direction to purchase certain assets may not be construed as either investment advice, the exercise of discretion with respect to investments, an evaluation of the investment's prudence or viability, or a determination that such investment is not, in fact, a prohibited transaction. The Custodian will not make any determination as to whether an investment does not violate any requirements or give rise to any excise taxes or penalties, and is otherwise acceptable under ERISA, the Code, or any other applicable federal, state or local laws, including securities laws. Depositor is solely responsible to review any investments to ensure compliance with the above requirements and to avoid the occurrence of any "prohibited transactions" under the Code arising out of any investment directed in the Account. Depositor will have all investments reviewed by an attorney, tax advisor, or other representative prior to directing Custodian to process any transaction on behalf of the Account. Custodian may refuse to process any transaction or otherwise condition the processing of any transaction upon receiving an opinion from Depositor's legal counsel on the legality of a given transaction. The Custodian's decision as to whether or not to condition the processing of a proposed transaction on the receipt of a legal opinion is solely within its discretion and is no indication as to whether the Custodian has investigated the facts and circumstances surrounding a proposed transaction or made any determination as

to whether a proposed transaction is permitted under applicable legal requirements. The Custodian may perform an administrative review of any investment to determine whether the investment is administratively feasible for the Custodian to hold, and Custodian may decline to process any proposed transaction based on such review or require that Depositor obtain a suitable agent or counsel to perform administration of such investment. Depositor understands and agrees that any such administrative review is only as to the feasibility of administering the investment and that the Custodian will not perform a fiduciary or due diligence review or undertake any other investigation as to the prudence, viability, legality, merits, or suitability of any investment in the Account. If the Depositor or his or her Rep should direct the Custodian to purchase an alternative investment, as defined above, the following special certifications and provisions shall apply:

- (a) If the alternative investment(s) contain a provision for future contractual payments or assessments, including capital or margin calls, Depositor acknowledges that such payments shall be borne solely by the Account, that authorization to make such payments shall come from Depositor or his or her Rep, and that making such payments may reduce or exhaust the value of the Account. Depositor further agrees to maintain sufficient liquid funds in his or her Account to cover any such payments or assessments, and agrees that the Custodian shall not be responsible for monitoring the balance of the Account to verify compliance with this Section. Depositor agrees to indemnify the Custodian and hold it harmless for any and all payments or assessments which may result from holding the alternative investment within the Account, and further agrees that the Custodian shall be under no obligation whatsoever to extend credit to the Account or otherwise disburse payment beyond the cash balance of the Account for any payment or assessment related to the nonstandard investment(s);
- (b) If the alternative investment(s) contain administrative and/or maintenance requirements or duties beyond the Custodian's capabilities or expertise to provide, then Depositor agrees to seek out suitable agents or counsel necessary to perform such duties and deliver a written service agreement acceptable to the Custodian for execution on behalf of the Depositor's Account;
- (c) If the Depositor directs the Custodian to enter into an individually-negotiated debt instrument, including a promissory note, deed of trust, real estate contract, mortgage note, or corporate debt, then Depositor agrees to enter into a Debt Servicer Agreement with a third-party agent on a form acceptable to the Custodian or, in the alternative, the Depositor may serve as his or her own Debt Servicer. The Debt Servicer shall be the agent of the Depositor and not of the Custodian and shall be responsible for administering the terms of the debt instrument on behalf of the Depositor's Account. Should the third-party Debt Servicer ever become unwilling or unable to perform the duties outlined in the Debt Servicer Agreement, then Depositor understands and agrees that all duties of the Debt Servicer shall revert to Depositor until a successor third party Agent is named. Likewise, should Depositor fail to appoint a Debt Servicer, Depositor understands that he or she becomes responsible to oversee the duties of a Debt Servicer until Depositor names a successor third-party Debt Servicer. Depositor understands that Custodian does not offer or provide any servicing or collection duties with respect to any debt instrument, nor will Custodian monitor the maturity date, payments, provide notice to Depositor in the event of default, prepare or compute payoff balances, prepare or file Form 1098 or take any action with regard to any debt unless specifically authorized by Depositor in writing. Should Depositor elect to renew or renegotiate the



terms of any debt instrument, Depositor agrees to notify Custodian in writing and provide appropriate written instructions for Custodian to return any original debt instrument to debtor.

- (d) If the Depositor directs the Custodian to purchase income producing real estate, then Depositor agrees to retain the services of a Property Manager on a form acceptable to the Custodian. The Property Manager shall be the agent of the Depositor and not of the Custodian and shall be responsible for administering the terms of the property management agreement on behalf of the Depositor's Account. Should the third-party Property Manager ever become unwilling or unable to perform the duties outlined in the property management agreement, then Depositor understands and agrees that all duties of the Property Manager shall revert to Depositor until a successor third-party agent is named. Likewise, should Depositor fail to appoint a Property Manager, Depositor understands that he or she becomes responsible to oversee the management of the Property until Depositor names a successor third-party Property Manager. The Custodian will not act as Property Manager, i.e., it will not monitor the Depositor's Account to ensure receipt of payments, provide notice in the event of default, etc.
- (e) The Custodian shall have no duty to monitor the performance of any investment, the action of any investment sponsor, or the action of the Depositor and/or those of his or her heirs, successors, agents, or assigns. Nor shall the Custodian be required to monitor the acts of any paid consultant to whom the Custodian may have contractually delegated any duties or responsibilities pursuant to Depositor's or his or her Rep's directions.
- (f) Depositor agrees to be responsible for any and all collection actions, including contracting with a collection agency or instituting legal action, and to bring any other suits or actions which may become necessary to protect the rights of the Account as a result of the operation or administration of the investment(s).
- (g) Depositor may not direct the purchase of a life insurance contract or a "collectible" as defined in Code Section 408(m).
- (h) The Custodian is responsible for safekeeping only those documents which are delivered into its possession by Depositor or his or her agent. If the original documents are to be held by an agent, Depositor must ensure that the agent agrees to safeguard the original documents and forward copies of the signed and recorded documents to the Custodian as evidence of ownership. In such cases, agent must agree to make original documentation available to Custodian for inspection, upon request. In the event Custodian asks for documentation evidencing the investment and Depositor and/or agent is unwilling or unable to provide such information, Custodian may re-register the asset into Depositor's individual name and report it as a distribution to the IRS. Such action may subject Depositor to IRS imposed taxes and penalties.
- (i) Once Depositor or Depositor's agent authorizes funds to be distributed from the Account for purposes of investment, Depositor agrees to be responsible for the following:
  - a. verifying that the individual or investment company that Depositor selected placed his or her funds into the proper investment;
  - b. obtaining the necessary documentation from the individual or investment company to verify that the funds were correctly invested, including, but not limited to, shares or units, proper recordation, loan to value ratio, etc.; and
  - c. sending the original documentation evidencing the investment to the Custodian or, in the case of a promissory note investment, to a third-party servicing agent. Custodian

will not monitor the Account to ensure receipt of such documentation and will rely solely on Depositor to provide this information.

- 9.7 Custodian must receive an annual fair market value or good faith estimate for investments held in the Account and, for public and certain private investments, Custodian will make every effort to obtain such valuation from the investment issuer. However, Depositor is ultimately responsible to obtain and provide the Custodian with such market value or good faith estimate from the investment issuer/sponsor or through an independent appraisal, whichever is deemed appropriate by the Custodian. If the Custodian has not been provided with an annual fair market value or good faith estimate for any investment held within the Account, Custodian may distribute that investment to the Depositor in-kind based upon the original acquisition cost or last known value, and such distribution would be a taxable event. Depositor understands and agrees to these terms and to the Valuation Policy shown in the Financial Disclosure included with this IRA Application, IRA Custodial Agreement and Disclosure Statement.
- 9.8 If investment(s) selected by the Depositor or his or her Rep generate Unrelated Business Taxable Income (UBTI), Depositor understands that such income, when considered in conjunction with all such income from all IRA accounts of the Depositor, may be taxable to the Account to the extent that all UBTI for a given taxable year exceeds the threshold amount set by the IRS (currently \$1000). In such instances, the IRS requires that a Form 990-T be filed for the Account along with payment of the appropriate amount of tax. Depositor understands that the Custodian does not monitor the amount of UBTI in the Account and does not prepare Form 990-T. Depositor agrees to monitor UBTI for this and any other Account which he or she may hold, and further agrees to prepare, or have prepared, the proper 990-T tax form and forward it to the Custodian for filing, along with authorization to pay any tax due from the Account. If Depositor is required to file Form 990-T with regard to any UBTI, Depositor must obtain and utilize an Employer Identification Number ("EIN"). Depositor shall not use the Custodian's EIN or Depositor's own social security number. Depositor must apply for an EIN for the Account prior to or in conjunction with requesting the Custodian to pay any tax owed with regard to any UBTI that might be incurred on an investment held within the Account.
- 9.9 The Depositor understands that certain transactions are prohibited for tax exempt retirement arrangements under Internal Revenue Code Section 4975 (a "prohibited transaction"), including transactions with a "disqualified person" or a "party in interest" (as defined in the Code), and that such transactions will trigger excise taxes and may result in a deemed distribution from the Account. Depositor further understands and acknowledges that the determination of whether a transaction directed within the Account is a prohibited transaction depends on the facts and circumstances that surround each transaction. The Custodian has no responsibility to make a determination as to whether any transaction directed by the Depositor is a prohibited transaction, and the Depositor is solely responsible to consult with his or her legal or tax advisors regarding any transaction directed within the Account to determine whether the transaction might be deemed a prohibited transaction. Depositor further warrants that he or she will not enter into a transaction, or cause a transaction to be entered into, which is prohibited under Section 4975 of the Code. The Custodian may condition the processing of any transaction and require the Depositor to obtain an opinion from legal counsel that the proposed transaction is not a prohibited transaction and refuse to process such transaction without such

opinion. Depositor acknowledges that the Custodian's decision as to whether or not to condition the processing on the receipt of a legal opinion is solely within the Custodian's discretion and is no indication as to whether the Custodian has investigated the facts and circumstances surrounding a proposed transaction or made any determination as to whether a proposed transaction is a prohibited transaction. The Depositor acknowledges that, should the Account engage in a prohibited transaction, the fair market value of the Account will become a taxable distribution to the Depositor in the taxable year in which the transaction was made. In addition, if the Depositor is under age 59½, additional premature distribution penalty taxes may apply. Depositor further understands that certain transactions are or may be identified by the IRS as abusive tax schemes or transactions. The determination of a listed or reportable transaction may depend upon the facts and circumstances surrounding the specific transaction. The Custodian shall have no responsibility for determining whether any investment in the Account constitutes a "listed transaction" or "reportable transaction," which may result in reporting requirements and adverse consequences for failing to comply with any applicable reporting or other requirements. The Depositor agrees to consult with his or her own tax or legal advisor to ensure that listed or reportable transactions related to the Account are identified. As the entity manager who approved or caused the Account to be party to a listed or reportable transaction, the Depositor agrees to report each listed or reportable transaction to the IRS using IRS Forms 8886-T and 8886, to pay any applicable excise taxes using Form 5330, and to disclose to the Custodian that such transaction was a prohibited tax shelter transaction, and to direct the Custodian as to any necessary corrective action to be taken by the Account. The Custodian shall not be responsible for any adverse consequences or for failing to comply with any applicable reporting or other requirements on behalf of the Depositor and/or other parties relating to any such listed or reportable transaction.

- 9.10 Custodian will act solely as agent for the Depositor and under the instructions of the Depositor with respect to the investment of the assets of the Account, and will in no event act without such instructions or exercise any discretion with respect to investments. Acting in that capacity, Custodian shall place orders for the purchase of securities provided the Depositor has sufficient liquid funds in the Account or arranges to make funds available in advance for such purposes, and will also place orders for the sale of securities provided such securities are held by Custodian and in deliverable form. The Depositor authorizes the Custodian to charge the Account for the cost of all securities purchased or received from the securities sold or delivered against payment. Depositor agrees that the Custodian shall be under no obligation whatsoever to extend credit to the Account or otherwise disburse payment beyond the cash balance of the Account for any payment or assessment related to any investment in the Account. In the event Depositor fails to timely deposit sufficient funds in the Account to cover the cost of an investment, the Custodian, at its option, may cancel the order for the investment or, if the investment already has been acquired, sell the investment (if applicable) and reimburse itself for any costs or expenses incurred by the Custodian in settling the purchase order. Depositor agrees that Custodian shall not be liable for any actions or inactions taken or omitted to be taken by Custodian in accordance with this provision, and further agrees, without limiting the generality of any other agreement by Depositor to indemnify Custodian, to indemnify and hold Custodian harmless for its actions in canceling a purchase order in the Account or selling the investment to reimburse itself as provided above. In addition, if any investment contains provisions for future contractual payments or assessments,

including margin calls, Depositor acknowledges that such payments or assessments shall be borne solely by the Account to the extent such payment is authorized by Depositor or his or her Rep, and may reduce or exhaust the value of Depositor's Account. Depositor further agrees to indemnify Custodian for any and all payments or assessments which may be imposed as a result of holding the investment within the Account.

- 9.11 After Depositor's death, named beneficiary(ies) shall have the right to direct the investment of the Account, subject to the same conditions that applied to Depositor during his or her lifetime under this Agreement. All transactions shall be subject to any and all applicable federal and state laws and regulations and the rules, regulations, customs and usages of any exchange, market or clearing house where the transaction is executed and to Custodian's policies and practices.

## ARTICLE X – CUSTODIAL ACCOUNT ADMINISTRATION

- 10.1 It shall be the sole duty of the Custodian to maintain a custodial account in the name of the Depositor and to make payments and distributions as directed by the Depositor or his or her Rep. Pursuant to the directions of the Depositor or his or her Rep, the Custodian shall invest and reinvest the assets in the custodial Account without any duty to diversify. Pursuant to the directions of the Depositor or his or her Rep, the Custodian shall invest and reinvest without regard to whether such investment is authorized by applicable laws for IRA or custodial investment. Pursuant to the directions of the Depositor or his or her Rep, the Custodian shall invest and reinvest in securities obtainable "over the counter" or on a recognized exchange and any other acceptable public or non-standard investment which in the sole judgment of the Custodian will not impose an unreasonable administrative burden. The Custodian's determination of what constitutes an unreasonable administrative burden may not be construed as investment advice, an opinion on the investment's prudence or viability, or whether such investment is authorized by applicable laws for IRA or custodial account investment. The custodial Account shall reflect the amounts contributed by the Depositor, receipts, investments, distributions, disbursements, and all other transactions.

- 10.2 The Custodian shall have the following powers and authority in the administration of the custodial Account:
- (a) Pursuant to the Depositor's or his or her Rep's directions, to invest or reinvest amounts held in the Account into assets, including, but not limited to stocks, bonds, precious metals (as permitted under the Internal Revenue Code), limited liability companies, limited partnerships, real estate, promissory notes, mortgages, structured settlements, annuities, money market funds, brokerage accounts, certificates of deposit, or any other investments deemed administratively feasible to administer by the Custodian or otherwise permitted under applicable federal and state laws.
  - (b) In the absence of specific investment instructions from the Depositor or his or her Rep, to vote in person or by proxy upon securities held by the Custodian. The Custodian shall have no responsibility to notify or forward to the Depositor or his or her Rep any notices, proxies, assessments or other documents received by the Custodian on behalf of the Account unless the Depositor or his or her Rep so requests each such document in writing. The Custodian shall not be required to vote securities for which the Custodian has not received instructions from the Depositor or his or her Rep., and Custodian's decisions with respect to voting, or not voting, such securities may not be construed as investment advice, the exercise of discretion with respect to the investment in the securities, or the exercise of any fiduciary responsibility with respect to the voting of such securities.

- (c) Pursuant to the Depositor's directions, to consent to or participate in dissolutions, reorganizations, consolidations, mergers, sales, transfers or other changes in securities held by the Custodian, and in such connection, to delegate the Custodian's powers and to pay assessments, subscriptions and other charges.
- (d) To make, execute and deliver as Custodian any and all contracts, waivers, releases or other instruments necessary or proper for the exercise of any of the foregoing powers.
- (e) In the absence of specific investment instructions from the Depositor, to leave any property comprising the custodial Account (with the exception of cash, which will be held in the Custodial NOW account) for safe keeping with such banks, brokers and other custodians as the Custodian may select.
- (f) To hold any securities in bearer form or in the name of banks, brokers and other custodians or in the name of the Custodian without qualifications or description or in the name of any nominee.
- (g) To employ and pay from the Account reasonable compensation to agents, attorneys, accountants and other professional persons for advice that in Custodian's opinion may be necessary. Custodian may delegate to any agent, attorney, accountant and other persons selected by it any power or duty vested in Custodian by this Agreement.
- (h) To do and perform all acts or things reasonably necessary or desirable to carry out the power and authority granted to the Custodian.
- (i) To charge against and pay from the Account all taxes of any nature levied, assessed, or imposed upon the Account, and to pay all reasonable expenses and attorney fees which may be necessarily incurred by Custodian with respect to the Account.
- (j) To retain any funds or property subject to any dispute without liability for the payment of interest and to decline to make payment or delivery of the funds or property until a court of competent jurisdiction makes final adjudication.
- (k) To file any tax or information return required of Custodian, and to pay any tax, interest or penalty associated with any such tax return.
- (l) To begin, maintain or defend any litigation necessary in connection with the administration of the Account, except that Custodian shall not be obliged or required to do so unless indemnified to Custodian's satisfaction, including, without limitation, payment of such expenses out of Account assets.
- (m) To charge Depositor separately for any fees or expenses or deduct the amount of the fees or expenses from the assets in the Account at Custodian's discretion. Custodian is also entitled to be reimbursed for any other expenses it assumes or incurs on behalf of Depositor's Account. Custodian has the right to change its fee upon 30 days' notice to Depositor. Custodian is authorized to liquidate assets, the choice of the selling broker and assets to be sold to be at Custodian's sole discretion, for any unpaid fee balance and may require Depositor to retain uninvested cash in the Account sufficient to cover at least one year's estimated annual fees, including termination fees. Should fees or expenses not be collected, Custodian shall have the option to cease performing any functions, including, but not limited to, processing investment transactions until such time as all fees and expenses charged against the Account are fully paid. If Depositor is unable or unwilling to pay fees Custodian may re-register the asset(s) into Depositor's individual name and report it as a taxable distribution to the IRS, subjecting Depositor to possible taxes and penalties.

10.3 Custodian will attempt to process investment directions and/or invest funds which it receives in accordance with Depositor's directions within seven (7) business days of receipt of such

directions and/or funds plus necessary administrative and processing time, but makes no representations, warranties, or guarantees that any asset may in fact be bought or sold within this time period or as to the price paid or received for any asset bought or sold. Custodian shall be under no duty to credit interest or earnings on the funds received during the processing period, and Depositor agrees that Custodian shall not be liable for any market value adjustment which may occur during or after said processing time.

10.4 The Custodian shall exercise no discretion with respect to the funds in the Account and, without limitation, shall be under no duty to question said directions, but rather, except to the extent otherwise expressly provided hereunder, shall be required to follow the directions of the Depositor, his or her Rep, or Investment Advisor. The Depositor or Rep will furnish payment instructions to Custodian regarding any invoice, assessment, fee or any other disbursement notification received by Custodian on behalf of any investments, and Custodian will have no duty or responsibility to disburse any payment until such instructions are received. The Custodian will not render investment advice of any kind, but will act only at the direction of the Depositor, his or her Rep, or Investment Advisor with respect to the investment and reinvestment of the Depositors' Account, and shall not be liable for any loss which results from the exercise of control over his or her Account by the Depositor, his or her Rep, or Investment Advisor. In the case of any solicitation received by the Custodian with respect to the Depositor's Account (including but not limited to third party tender offers with respect to limited partnership interests in the Account), the Custodian will transmit such materials to the Depositor (or to his or her Rep or Investment Advisor, as directed by the Depositor); however, the Custodian must have at least ten (10) days from the date it receives instructions from the Depositor (or his or her Rep or Investment Advisor) to transmit such instructions to the soliciting party by the date specified in the solicitation. The Custodian shall have no obligation to transmit any solicitation received or instructions given with respect to the Depositor's Account by other than regular mail, and shall not be responsible for any failure to respond to a solicitation by the deadline specified therein due to (i) delays in the mail or (ii) where the Custodian has less than ten (10) days from the date instructions are received from the Depositor (or his or her Rep or Investment Advisor) and the specified deadline for responding. Custodian need not honor offers or recognize communications that are not addressed to each Depositor's Account by name. The Custodian shall not be responsible for any action taken by the Depositor or his or her Rep as a result of information concerning the Account or any investment which may be transmitted or not transmitted to the Depositor or his or her Rep. The Custodian shall have no responsibility or duty to review or monitor any securities or other property held within the Account, nor shall the Custodian be held liable for its failure to act because of the absence of any directions from the Depositor. The Custodian shall not be liable for the actions or inactions of any prior trustee, custodian, or other service provider or agent of the Depositor which may have occurred prior to the transfer of the Account assets to the Custodian. Without limiting the generality of any other indemnification of Custodian by the Depositor, the Depositor shall indemnify and hold Custodian harmless for any losses resulting from Custodian's action or inaction in relation to investment directions received from Depositor, his or her Rep, or Investment Advisor, for the actions or inactions of agents appointed by the Depositor or by the Custodian at the direction of the Depositor, and for any tax consequence resulting from the Depositor's or Rep's direction to engage in any transaction, including, without limitation, any investment in life insurance contracts, any

investment in collectibles, or any investment or other directed activity that constitutes a prohibited transaction under Section 4975 of the Code.

10.5 Depositor agrees that Custodian has no duty to inform the Depositor of any information on an asset held in the Account which the Custodian may have learned in connection with another account or customer or from any source other than in the operation of the Depositor's Account.

#### **ARTICLE XI – BENEFICIARY DESIGNATION**

11.1 The Depositor may from time to time designate, upon such form as the Custodian shall prescribe, any trust or persons as primary, contingent or successive beneficiaries, to whom the Custodian shall pay the Depositor's interest in the custodial Account in the event of his or her death. Such primary and contingent beneficiary designation shall be effective when filed with the Custodian and shall revoke all prior beneficiary designations made before that date by Depositor.

11.2 If Depositor fails to name a beneficiary in accordance with Section 11.1, or if the named beneficiary cannot be located after a reasonable and diligent search of not less than six months, or if all beneficiaries named by a Depositor predecease him or her, then the remaining balance of the custodial Account shall be payable to the legal spouse of the Depositor, or if there is no spouse living, then to the estate of the Depositor.

11.3 When and after distributions of the custodial Account to the Depositor's beneficiary commence, all rights and obligations of the Depositor under this Agreement shall inure to, and be exercised by, such beneficiary.

11.4 If the beneficiary designated to receive payments hereunder is a minor or person of unsound mind, whether so formally adjudicated or not, the Custodian, in its discretion, may make such payment to such person as may be acting as parent, guardian, committee, conservator, custodian, or legal representative of such minor or incompetent and the receipt of payment by any such person as selected by the Custodian shall be a full and complete discharge to the Custodian for any sums so paid.

#### **ARTICLE XII – DISTRIBUTIONS**

12.1 Except as otherwise provided in Section 12.3, distributions shall be made only upon the Depositor's written request (or the Depositor's beneficiary in the event of Depositor's death) on a form provided by or acceptable to the Custodian.

12.2 Depositor's election as to the method of distribution under Section 4.2 of this Agreement must be made at least thirty (30) days before the Required Beginning Date, which is defined as April 1 of the calendar year immediately following the calendar year in which the Depositor reaches age 70½. If no election is made, the Custodian will make distributions over a period not to exceed the Depositor's single life expectancy.

12.3 If Depositor is required to take a required minimum distribution and fails to request such by the required beginning date, Custodian may, at its complete discretion, do any of the following:

- Make no distribution until Depositor provides Custodian with a written distribution request;
- Distribute all assets to Depositor in a single payment or in-kind distribution; or
- Determine the Depositor's required minimum distribution from the Account each year based on Depositor's life expectancy, calculated using the uniform lifetime table in Regulations section 1.401(a)(9)-9, and pay those

distributions to the Depositor unless Depositor directs Custodian in writing otherwise.

Custodian shall not be liable for any penalties or taxes in the event Depositor fails to take a required minimum distribution or if Depositor receives an amount in excess of the required minimum distribution.

#### **ARTICLE XIII – DUTIES, RECORDS, REPORTS**

13.1 The Custodian's sole duties to the Depositor regarding reporting shall be to send Depositor a copy or facsimile of IRS Form 5498 and/or an annual calendar year statement of the assets of the Account within time frames established by the IRS. The Custodian may, but is not obligated to, furnish periodic reports to the Depositor detailing transactions performed under this custodial Account and the value of assets held within the Account.

13.2 The Custodian shall have no liability or responsibility for transactions reported or not reported on any periodic statement unless Depositor or his or her Rep file written exceptions or objections within 60 days after receipt of the report or statement. Upon receipt of written notification under this Section, the Custodian's liability and responsibility shall be to fully investigate the exceptions or objections, make any adjustments, correct any entries, or otherwise reconcile the Account as may be necessary. If any such adjustments or corrections are required, the Custodian shall issue a revised statement for the reporting period(s) in question.

#### **ARTICLE XIV – FEES AND EXPENSES**

14.1 Except as provided in section 9.2, the Depositor agrees to pay the Custodian for services outlined in this Agreement in accordance with the Custodian's current posted fee schedule. The Custodian's fees may include, but are not limited to, new account establishment, annual account maintenance, processing, account termination, and any other fees outlined in the fee schedule. Fees may be paid by deducting cash from the custodial Account, charging a credit/debit card, payment by check, or other payment method offered by the Custodian.

14.2 Depositor may provide the Custodian with valid credit/debit card information to retain on file, and Depositor authorizes the Custodian to charge custodial fees and expenses to the credit/debit card as provided in this Fees and Expenses section of the custodial Agreement. If the credit/debit card information on file expires or ceases to be valid, Depositor agrees to notify the Custodian and provide the Custodian with information for another credit/debit card or information necessary to debit the Depositor's checking account to satisfy any outstanding fees and expenses. Depositor hereby authorizes the Custodian to charge fees and expenses to any replacement credit/debit card or replacement bank account provided by Depositor. If the Custodian is unable to complete a transaction using the information on file, then the Depositor authorizes the Custodian to deduct any amount due from cash in the Depositor's custodial Account or take any other action authorized in this Fees and Expenses section.

14.3 Depositor may provide the Custodian with valid bank account information to retain on file, and Depositor authorizes the Custodian to debit custodial fees and expenses from the bank account as provided in this Fees and Expenses section of the custodial Agreement. If the bank account closes for any reason, Depositor agrees to notify the Custodian and provide the Custodian with information for another credit/debit card or information necessary to debit another of Depositor's checking accounts to satisfy any outstanding fees and expenses. Depositor hereby authorizes the Custodian to charge fees and expenses to any replacement credit/debit card or replacement bank account



provided by Depositor. If the Custodian is unable to complete a transaction using the information on file, then the Depositor authorizes the Custodian to deduct any amount due from cash in the Depositor's custodial Account or take any other action authorized in this Fees and Expenses section.

14.4 In the event the Depositor shall at any time fail to discharge any liability under this Agreement, such liability shall be charged to the custodial Account and the Depositor is deemed to have expressly directed the Custodian, as agent for the Depositor and acting under Depositor's authority and supervision, to liquidate investments of the custodial Account, until there is sufficient cash in the custodial Account to pay the liability to the Custodian. Notwithstanding any provisions of this Agreement, the Depositor expressly authorizes and directs the Custodian to make such liquidation and to pay such liability from the liquidated investments of the Account, and acknowledges that in carrying out that direction the Custodian acts solely at the direction of Depositor. If the custodial Account is not sufficient to satisfy such liability, the Depositor shall be liable for any deficiency.

14.5 The Custodian has the right to liquidate assets in the Account if necessary to pay fees, expenses or taxes properly chargeable against the Account. If Depositor fails to direct Custodian as to which assets to liquidate, Custodian will decide in its complete and sole discretion and Depositor agrees not to hold Custodian liable for any adverse consequences that result from its decision.

14.6 The Custodian, upon thirty (30) days' notice, may terminate and distribute the Depositor's Account for non-payment of fees and expenses.

14.7 The Custodian's current posted fee schedule may be amended at any time upon 30 days' advance written notice to the Depositor. The Custodian reserves the right to charge fees in addition to its posted fee schedule for extraordinary or special services, or for unforeseen expenses to the account, including legal expenses incurred by the Custodian. The Custodian does not prorate fees. On a form acceptable to the Custodian, the Depositor may elect to pay fees directly, authorize payment of fees from a credit/debit card, or have them withdrawn from the assets of the account. Termination fees are due and payable upon distribution to the Depositor or upon transfer to another trustee or custodian.

14.8 Depositor agrees to bear sole responsibility for the prosecution or defense, including the employment of legal counsel, of any and all legal actions or suits involving Depositor's Account which may arise or become necessary for the protection of the investments in that Account, including any actions lodged against the Custodian. Depositor also agrees to bear sole responsibility for enforcing any judgments rendered in favor of the Account, including judgments rendered in the name of STRATA Trust Company as Custodian of the Account.

14.9 Custodian may, in its sole discretion, close any account holding \$250 or less in cash and no other assets, and the cash balance will be paid to the Custodian as an account termination fee as outlined in the fee schedule.

14.10 The Custodian has the right to be reimbursed or reserve funds for all reasonable expenses it incurs in connection with the administration of the Account (including legal fees). Any brokerage commissions attributable to the assets in the Account will be charged to the Account, and Depositor cannot reimburse the Account for those commissions.

14.11 Any income taxes or other taxes of any kind whatsoever that may be levied upon or in respect of the custodial account, any transfer taxes incurred in connection with the investment and reinvestment of assets in the custodian account, and all other administrative expenses incurred by the Custodian in performance of its duties, including legal services which the Custodian may necessarily incur to maintain the custodial account shall be paid by the Depositor and the Depositor hereby covenants and agrees to pay the same.

#### **ARTICLE XV – AMENDMENT AND TERMINATION**

15.1 The Depositor irrevocably delegates to the Custodian the right and power to amend this Agreement. Except as hereafter provided, the Custodian will give the Depositor 30 days' written notice of any amendment. In case of a retroactive amendment required by law, the Custodian will provide written notice to the Depositor of the amendment within 30 days after the amendment is made, or if later, by the time that notice of the amendment is required to be given under regulations or other guidance provided by the IRS. The Depositor shall be deemed to have consented to any such amendment unless the Depositor notifies the Custodian to the contrary within 30 days after notice to the Depositor and requests a distribution or transfer of the balance of the Account. The Custodian's termination fee shall be applicable to any Account so distributed or transferred.

15.2 The Depositor may terminate this Agreement at any time by delivery of written notice of such termination to the Custodian. Upon such termination, the Custodian shall continue to hold the assets and distribute them in accordance with the previous instructions of the Depositor and the provisions of this Agreement unless the Custodian receives other instructions from the Depositor (such as those involving a rollover) which the Custodian may follow, without liability and without any duty to ascertain whether such payout is proper under the provisions of the Code or of any other plan.

15.3 Upon request of the Depositor in writing to the Custodian, the Custodian shall transfer all assets in the custodial Account to the Depositor, to a qualified retirement plan, or to another individual retirement account established by the Depositor. The Custodian is authorized, however, to reserve such sum of money or property as it may deem advisable for payment of all its fees, compensation, costs and expenses, or for any other liabilities constituting a charge against the assets of the custodial Account or against the Custodian, with any balance of such reserve remaining after the payment of all such items to be paid over to the successor custodian or trustee.

15.4 The Custodian, upon thirty (30) days' notice, may terminate and distribute the depositor's Account for failure to annually provide valuation information with regard to the Depositor's assets.

#### **ARTICLE XVI – RESIGNATION, REMOVAL AND APPOINTMENT OF SUCCESSOR CUSTODIAN**

16.1 Upon written notice to the Custodian, the Depositor may remove it from its office hereunder. Such notice, to be effective, shall either request a distribution of assets (using the Custodian's distribution form in effect at the time of the request) or designate a successor trustee or custodian. In the event the Depositor decides to have his or her Account transferred to another custodian or trustee, he or she will be required to submit a properly executed transfer request from the new custodian or trustee.

16.2 The Custodian may at any time resign effective not less than 30 days after it mails written notice of its resignation to the Depositor. If the Depositor fails to provide the Custodian, within such notice

period, a properly executed distribution or transfer request the Custodian has the right to transfer the Account assets to a successor IRA custodian or trustee that it chooses, in its sole discretion. As an alternative, the Custodian may elect to distribute the assets directly to Depositor. In such cases the Depositor may be eligible to roll the assets into another IRA. In order to maintain the tax qualified status of the IRA such assets must be re-deposited with a new custodian or trustee within 60 days from the Depositor's receipt. Depositor is wholly responsible for the tax consequences of any such distribution.

16.3 If the Custodian changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if Custodian's entire organization (or any portion that includes Depositor's Account) is purchased by another organization, that organization (or agency) will automatically become the trustee or custodian of Depositor's Account, but only if the organization is authorized to serve in the capacity of an IRA trustee or custodian.

16.4 The Custodian shall not be liable for the acts or omissions of its successor.

#### **ARTICLE XVII – MISCELLANEOUS**

17.1 Neither the Depositor nor any beneficiary of the Depositor shall have any right to pledge, hypothecate, anticipate or in any way create a lien upon any assets in or part of the custodial Account. Distributions to the Depositor, his or her beneficiaries, spouse, heirs-at-law, or legal representatives, except minors and persons under legal disability, shall be made only to them and upon their personal receipts and endorsements, and no interest in the custodial Account, or any part thereof, shall be assignable in anticipation of payment either by voluntary or involuntary act, or by operation of law, or be liable in any way for the debts or defaults of such Depositor, his or her beneficiaries, spouse, or heirs-at-law. The provisions of this paragraph shall not apply to the extent that they violate any applicable law.

17.2 The custodial Account created hereunder is created for the exclusive benefit of the Depositor or his or her beneficiaries, and at no time shall it be possible for any part of the assets of the custodial Account to be used for or diverted to purposes other than for the exclusive benefit of the Depositor or his or her beneficiaries.

17.3 Notwithstanding the provisions of Sections 17.1 and 17.2 above, in the event the Depositor and the Depositor's spouse obtain a divorce or a separation instrument, as described in Section 408(d)(6) of the Code, the Depositor may direct the Custodian in writing to transfer the appropriate portion of the assets in the Depositor's Account directly to the Depositor's former spouse or to an account maintained by the Depositor's former spouse, provided the transfer is in accordance with the divorce decree or separation instrument, a copy of which shall be furnished to the Custodian. The transfer of assets to the Depositor's former spouse may be in cash or in-kind, pursuant to directions contained in the divorce decree or separation instrument.

17.4 The Custodian shall be under no duties whatsoever except such duties as are specifically set forth in this Agreement. The Custodian shall be fully protected in acting upon any instrument, certificate, or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Custodian shall be under no duty to make any investigation or inquiry as to any statement contained in any such writing but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained. Without limiting the generality of any other indemnification of the Custodian by the Depositor, the

Depositor shall at all times duly indemnify and save harmless the Custodian from any liability (including reasonable attorneys' fees) which may arise hereunder except liability arising from the gross negligence or willful misconduct of the Custodian. Depositor is responsible for all tax consequences arising from contributions to and distributions from the custodial Account and acknowledges that no tax advice has been provided by Custodian.

If Depositor has consented to the terms and conditions of Custodian's Electronic Communication Consent ("Electronic Consent"), 1) Depositor has agreed that all Account statements, disclosures (including amendments to this Agreement), Depositor directions and/or transactions, or Custodian notices to Depositor will be provided electronically as consented to and described in the Consent, and 2) Depositor's use of an electronic signature will serve as an original signature and will bind the Depositor to the terms of any document executed by Depositor with an electronic signature. The Depositor and Custodian retain their respective rights as provided in the Electronic Consent.

If Depositor has not agreed to the Electronic Consent or later withdraws consent, then any notice provided by the Custodian to the Depositor for any circumstance shall be sent to the last known address of the Depositor via regular mail, and for purposes of this Agreement shall be considered delivered as of the date of the mailing. Depositor shall be responsible to notify the Custodian in writing of any change of address. Depositor acknowledges and agrees that the Account will be subject to the provisions of the Uniform Electronic Transactions Act, as passed in the state where the Custodian is organized (Texas Uniform Electronic Transactions Act) and the federal Electronic Signatures in Global and National Commerce Act (ESIGN Act, as contained in 15 U.S.C. 7001) as those laws pertain to electronic communication, electronic signatures, and electronic storage of custodial Account records.

Depositor understands that, in lieu of retention of the original records, the Custodian may cause any or all of the Account records, and records at any time in the Custodian's custody, to be photographed or otherwise reproduced to permanent form, and any such photograph or reproduction shall have the same force and effect as the original thereof and may be admitted in evidence equally with the original.

**17.5 WITH RESPECT TO ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, DEPOSITOR AGREES (I) THAT SUCH SUIT, ACTION OR PROCEEDING SHALL BE HELD IN STATE DISTRICT COURT IN AUSTIN, TEXAS, (II) THAT EXCLUSIVE JURISDICTION SHALL LIE IN THE STATE DISTRICT COURT IN AUSTIN, TEXAS AND (III) TO IRREVOCABLY AND UNCONDITIONALLY SUBMIT DEPOSITOR AND HIS OR HER PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE STATE DISTRICT COURTS SITTING IN AUSTIN, TEXAS, ANY APPELLATE COURT TO WHICH ANY APPEAL MAY PROPERLY BE TAKEN THEREFROM AND (IV) THAT ALL CLAIMS IN RESPECT OF ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT, (V) THAT PROCESS IN ANY SUCH SUIT, ACTION OR PROCEEDING MAY BE SERVED ON ANY PARTY ANYWHERE IN THE WORLD, AND (VI) AGREES THAT A FINAL JUDGMENT IN ANY SUCH SUIT, ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. DEPOSITOR IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, (I) ANY OBJECTION THAT HE/SHE MAY NOW OR HEREAFTER HAVE TO THE**

**LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY IN THE STATE DISTRICT COURT SITTING IN AUSTIN, TEXAS, AND (II) THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT. IF DEPOSITOR INITIATES SUIT UNDER THIS AGREEMENT AND DOES NOT PREVAIL, DEPOSITOR AGREES THAT CUSTODIAN SHALL BE ENTITLED TO ALL COSTS, INCLUDING ATTORNEYS' FEES. NOTWITHSTANDING THE ABOVE, DEPOSITOR FURTHER AGREES THAT CUSTODIAN MAY REQUEST THAT ANY SUIT INITIATED UNDER THIS AGREEMENT OR ANY TRANSACTIONS PROPOSED HEREIN BE INITIATED IN OR REMOVED TO U.S. FEDERAL COURT IN AUSTIN, TEXAS IF AND AS APPROPRIATE.**

**THE PARTIES EXPRESSLY WAIVE ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHT, POWER, OR REMEDY UNDER OR IN CONNECTION WITH THIS AGREEMENT OR UNDER OR IN CONNECTION WITH ANY AMENDMENT, INSTRUMENT, DOCUMENT, OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HERewith OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT, AND AGREE THAT ANY SUCH ACTION SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THE TERMS AND PROVISIONS OF THIS SECTION CONSTITUTE A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.**

17.6 Depositor understands that in-kind distributions received from the Account are subject to Federal income tax withholding unless Depositor elects not to have withholding apply. By signing the Agreement, Depositor elects not to have withholding apply to distributions from the Account, subject to Depositor's right to revoke this election at a later date. Depositor also understands that if this election is revoked and there is no cash or insufficient cash in the Account at the time of distribution, Custodian must sell any non-cash investments to pay withholding and will distribute the remaining proceeds, if any. Depositor understands and accepts the responsibility for paying federal income tax on the taxable portion of any distribution from the Account and that Depositor may be subject to tax penalties if payments of estimated tax and withholding, if applicable, are inadequate.

17.7 Depositor agrees to be responsible for any and all collection actions, including contracting with a collection agency or instituting legal action, and bringing any other suits or actions which may become necessary to protect the rights of the Account. Depositor understands that any legal filings made on behalf of the Account are to be made in the name of "STRATA Trust Company, Custodian for benefit of (Depositor's Name)." Depositor agrees to not institute legal action on behalf of the Account without Custodian's written consent to litigate and that Depositor shall prosecute any legal action. Depositor agrees that any such legal action will be carried out in a manner that does not cause Custodian to incur any costs or legal exposure.

17.8 The custodial Account created hereunder may be utilized by an employer in conjunction with IRS FORM 5305-SEP or other approved prototype or individually-designed document to establish a Simplified Employee Pension (SEP) Plan.

17.9 Any notice or statement which the Custodian is required to give hereunder shall be deemed given when mailed to the intended recipient at his or her last known address. Any notice or statement to be given to the Custodian shall be deemed given only when actually received by the Custodian.

17.10 Words used in the masculine shall apply to the feminine where applicable and wherever the context of this Agreement indicates the plural shall be read as the singular, and the singular as the plural.

17.11 The captions of Articles in this Agreement are included for convenience only and shall not be considered a part of, or an aid to, the construction of this Agreement.

17.12 This Agreement is intended to qualify under Section 408(a) of the Code and if any term or provision hereof is subject to more than one interpretation or construction, such ambiguity shall be resolved in favor of that interpretation or construction which is consistent with that intent.

17.13 This Agreement, together with the Disclosure Statement, Financial Disclosure, IRA Application, and Fee Schedule, is the complete and exclusive agreement between the parties with respect to the subject matter hereof, superseding any prior agreements and communications (both written and oral) regarding such subject matter. Depositor understands that this Agreement is not assignable without the express prior written consent of the Custodian.

17.14 If any provision of this Agreement or the application thereof to any person or circumstances shall be determined to be invalid or unenforceable, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

17.15 This Agreement is accepted by the Custodian in, and administered under, the laws of the State of Texas. All contributions to the Custodian shall be deemed to take place in the State of Texas.

**GOVERNING LAW. THIS AGREEMENT AND ALL AMENDMENTS HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AND THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA, AND THE OBLIGATIONS HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.**

Revised 10.1.2020



# Traditional IRA Disclosure Statement

STRATA Trust Company (hereinafter "Custodian") presents the following Traditional IRA Disclosure Statement pursuant to Internal Revenue Service Regulations which require that the information contained therein be given to individuals for whom an Individual Retirement Account (hereinafter "IRA" or "account") is established. By executing the IRA Application, the Accountholder acknowledges receipt of this Disclosure Statement.

## A. RIGHT OF REVOCATION

Regulations of the Internal Revenue Service require that this Disclosure Statement be given to a participant at least seven days before the account is established, or, the participant may revoke the account within seven days after it is established. Copies of the IRA Application establishing the IRA and related documents are included along with this Disclosure Statement. By executing the IRA Application, you acknowledge receipt of this Disclosure Statement. Accordingly, you are entitled to revoke the IRA within seven days after the date of your execution of the IRA Application. Such revocation may be made only by written notice which at your option may be mailed or delivered to STRATA Trust Company as follows:

**Mailing Address:** PO Box 23149  
Waco, Texas 76702

If mailed, the revocation notice shall be deemed mailed on the date of the postmark (or if by registered or certified mail, the date of registration or certification) if deposited in the mail in the United States in an envelope or other appropriate wrapper, first class postage prepaid, properly addressed. Upon revocation within the seven-day period, Custodian will return the current fair market value of the amount contributed to the IRA, without penalty, service charge, or administrative expense.

## B. STATUTORY REQUIREMENTS OF AN IRA—CODE SEC. 408(A)

An individual retirement account is a trust account created by a written governing instrument that meets the following requirements:

1. The trustee or custodian must be a bank, federally insured credit union, savings and loan association, or another person eligible to act as a trustee or custodian.
2. Except for rollovers and direct transfers (the tax free transfer of retirement funds from one retirement plan to another, described below) and employer contributions to a simplified employee pension plan or SIMPLE plan, contributions may not exceed the lesser of 100% of your compensation, or \$5,500 for 2016, \$5,500 for 2017, with the potential for a cost-of-living adjustment in each subsequent year. The contribution must be in cash. At no time may the contribution ever exceed more than 100% of compensation.
3. You will have a nonforfeitable interest in the account.
4. No part of the trust funds will be invested in life insurance contracts nor may the assets be commingled with other property except in a common trust fund or common investment fund.
5. You may not invest the assets of your IRA in collectibles (as described in Section 408(m) of the Internal Revenue Code). A collectible is defined as any work of art, rug or antique, metal or gem, stamp or coin, alcoholic beverage, or any other tangible personal property specified by the IRS. However, if the Custodian permits, specially minted US gold, silver and platinum coins and certain state-issued coins are permissible IRA investments. Beginning on 1/1/98 you may also invest in certain gold, silver, platinum or palladium bullion. Such bullion must be permitted by

the Custodian and held in the physical possession of the IRA trustee or custodian.

6. Your interest in your IRA must begin to be distributed to you by the April 1st following the calendar year you attain the age of 70½. The methods of distribution, election deadlines, and other limitations are described in detail below.

## C. LIMITATIONS AND RESTRICTIONS ON THE DEDUCTION FOR AN IRA—CODE SEC. 219

### Eligible Individuals

You are permitted to make a regular contribution to your IRA for any taxable year prior to the taxable year you attain age 70½, and if you receive compensation for such taxable year. Compensation includes salaries, wages, tips, commissions, bonuses, alimony, royalties from creative efforts and "earned income" in the case of self-employees. The amount that is deductible depends upon whether or not you are an active participant in a retirement plan maintained by your employer; your adjusted gross income (AGI); your marital status; and your tax filing status.

### Maximum Contribution Allowance

The maximum amount you may contribute for any one year is the lesser of 100% of your compensation or, \$5,500 for 2016, \$5,500 for 2017, with the potential for a cost-of-living adjustment in each subsequent year. This is your contribution limit. The deductibility of regular IRA contributions depends upon your marital status, tax filing status, whether or not you are an "active participant" in a retirement plan maintained by your employer, and your AGI.

### Catch-Up Contributions

If you will attain the age of 50 by the end of the taxable year (December 31), you may make an additional "Catch-Up" contribution to your IRA. The maximum additional contribution limit is \$1,000 per year.

### Active Participant

You are considered an active participant if you participate in your employer's qualified pension, profit-sharing, or stock bonus plan qualified under Section 401(a) of the Internal Revenue Code ("the Code"); qualified annuity under Section 403(a) of the Code; a simplified employee pension plan (SEP); a Savings Incentive Match Plan for Employees (SIMPLE); a retirement plan established by a government for its employees (this does not include a Section 457 plan); tax-sheltered annuities or custodial accounts under Section 403(b) of the Code; and pre-1959 pension trusts under Section 501(c)(18) of the Code.

If you are not sure whether you are covered by an employer-sponsored retirement plan, check with your employer or check your Form W-2 for the year in question. The W-2 form will have a check in the "pension plan" box if you are covered by a retirement plan.



## Deductibility of Regular Contributions

If neither you nor your spouse is an active participant in a qualified retirement plan (including qualified pension, profit sharing or stock bonus plans, tax-sheltered annuity plans, Simplified Employee Pension (SEP) Plans, SIMPLE Plans, certain government-sponsored plans, and plans described under Section 501(c)(18) of the Code), then you may deduct the full amount of your IRA contribution without regard to your adjusted gross income or filing status.

If you or your spouse is an active participant in an employer sponsored retirement plan, you may be entitled to only a partial (reduced) deduction or no deduction at all, depending on your level of adjusted gross income (AGI) and your filing status. Your deduction begins to decrease (phase out) when your AGI falls within the thresholds set forth for the tax year as shown in the table below and a calculation must be made to determine your deductible limit for the year. Your deduction is eliminated altogether when it reaches or exceeds the upper threshold of the scale.

For contributions made for taxable years, beginning 2016 and after, the dollar thresholds for active participants in employer-sponsored plans are as follows:

	Joint Filers	Single Filers
<b>2016</b>	\$98,000 - \$118,000	\$61,000 - \$71,000
<b>2017</b>	\$99,000 - \$119,000	\$62,000 - \$72,000

Married persons filing separate returns (who lived together at any time during the year) have a beginning threshold of zero. Therefore the phase out range remains \$0 - \$10,000.

## Non deductible Contributions

Even if you are not eligible for an IRA deduction or full deduction, the law allows you to make a nondeductible contribution up to the maximum of the lesser of the amounts described previously above or 100% of compensation. These contributions, while not currently excludable from income, do accumulate tax-deferred earnings until the account is distributed. The total amount of deductible and nondeductible contributions still must not exceed the maximum amounts stated above.

You are responsible for reporting non-deductible contributions to the IRS on Form 8606, filed with your annual tax filing. In addition, you are responsible for keeping records as to the cumulative amount of nondeductible contributions made to your IRA. You may be subject to IRS penalties should you overstate your nondeductible amount or fail to file Form 8606.

No deduction is allowed with respect to a rollover contribution (the tax free transfer of retirement funds from one retirement plan to another, described below).

Your employer may make a Simplified Employer Pension (SEP) contribution on your behalf into this IRA up to the lesser of 25% of your compensation or \$53,000 for 2016 and \$54,000 for 2017 (subject to annual cost of living adjustments, if any, announced by the IRS). This limit is a per employer limit. Your employer may contribute to this IRA or any other IRA on your behalf under a SEP plan even if you are age 70½ or over, and even if you are covered under a qualified plan of another employer for the year.

The contribution to your IRA reduces your gross income. Therefore, even if you do not itemize your deductions and you use the standard deduction, you may still claim a deduction for contributions to your IRA.

You must make contributions to your account prior to April 15th following the year in which you claim the deduction.

## Tax Credits for Contributions

For tax years 2016 and 2017, you may be eligible to receive a tax credit on your IRA contribution. This tax credit is in addition to any

deduction that may be allowed, and may not exceed \$1,000 (up to \$2,000 if filing jointly) in any given year. You may be eligible for a tax credit if you are a) age 18 or older, b) not a dependent of another tax payer, and c) not a full-time student.

The credit is based on income levels and filing status and ranges from 0 to 50 percent of eligible contributions. Please refer to IRS Form 8880 to determine your credit rate.

## D. PROHIBITED TRANSACTIONS

If you or your beneficiary engages in a prohibited transaction described in Code Sec. 4975, the entire account will lose its exemption from tax and you must include the fair market value of the account in your income for the year in which the prohibited transaction took place. In addition, you may incur certain penalties for engaging in the transaction as well as the premature distribution penalty tax if you are under age 59½ (see below). Examples of prohibited transactions are the borrowing of the income or corpus from an account, selling property to or buying property from the account, or personally using property owned by the account.

## E. PLEDGING ACCOUNT AS SECURITY

If you use your account or any portion thereof as security for a loan, the portion so used is treated as distributed to you and may be subject to the 10% penalty tax on premature distributions if you are under age 59½ (see below). Accordingly, if you invest in securities, you may not sell short or execute purchases in an amount greater than available cash.

## F. PREMATURE DISTRIBUTIONS

**If you receive a payment from your IRA before you attain the age of 59½, the payment will be considered a premature distribution, unless it falls under one of the following exceptions:**

1. Distributions made due to your death;
2. Distributions made due to your disability;
3. Any distribution to an alternate payee under a qualified domestic relations order;
4. Distributions made to pay for qualified first-time home purchases, not to exceed \$10,000;
5. A qualifying rollover distribution; or
6. The timely withdrawal of the principal amount of an excess or nondeductible contribution.

**If you qualify for one of the exemptions under Code 72(t) as indicated below, you will need to file IRS Form 5329. Please consult your tax advisor for any questions.**

1. Substantially equal payments
2. First-time homebuyer (limited to \$10,000)
3. Medical expenses
4. Higher education
5. Insurance premiums

If you receive a premature distribution, the amount received is included in your gross income in the taxable year of receipt. In addition, your income tax liability for that tax year is increased by an amount equal to 10% of the premature distribution includible in your gross income.

If your account is disqualified because you engaged in a prohibited transaction, described above, the amount deemed distributed to you is included in your gross income. The premature distribution penalty tax (10% of the amount of the deemed distribution) will also apply if

you had not attained the age of 59½ before the beginning of such tax year.

If you plan to take a series of substantially equal payments qualifying for penalty exemption under Code section 72(t), and you modify the payments before 5 years have elapsed and before attaining age 59½, the 10% additional income tax will apply retroactively to the year payments began through the year of such modification.

#### G. FEDERAL ESTATE AND GIFT TAXES

Transfers of your IRA assets to a beneficiary made during your life and at your request may be subject to federal gift tax under Section 2501 of the Internal Revenue Code.

#### H. TAXATION OF DISTRIBUTIONS

Taxable distributions from your IRA are taxed as ordinary income regardless of their source. They are not eligible for capital gains treatment or the special 5-year or 10-year averaging rules that may apply to lump-sum distributions from qualified employer plans.

The distributions you receive from your IRA are subject to Federal Income Tax Withholding unless you elect not to have the withholding apply. You may elect not to have withholding apply to your distribution. If you do not make an election, Federal Income tax will be withheld at the rate of 10% of the distribution amount. If you elect not to have withholding apply to your distribution, or if you do not have enough Federal Income Tax withheld from your distribution, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

Custodian will withhold state income tax for mandatory withholding states only according to the State Income Tax Withholding Requirements chart located on Custodian's IRA Distribution Request form, unless otherwise instructed. (Not applicable in all states.)

#### I. EXCISE TAX ON EXCESS CONTRIBUTIONS

Generally, an excess IRA contribution is the portion of your IRA contribution which exceeds the contribution limits, and such excess contribution is subject to a 6% excise tax penalty on the principal amount of the excess each year until the excess is corrected.

**Method of withdrawing excess in a timely manner.** This 6% penalty may be avoided if the excess amount, plus the earnings attributable to the excess, are distributed by your tax filing deadline including extensions for the year the excess contribution was made, and you do not take a deduction for such excess amount. If you decide to correct your excess in this manner, the principal amount of the excess returned is not taxable, however, the earnings attributable to the excess are taxable to you in the year in which the contribution was made. In addition, if you are under age 59½ the earnings attributable are subject to a 10% premature distribution penalty. **THIS IS THE ONLY METHOD OF CORRECTING AN EXCESS CONTRIBUTION THAT WILL AVOID THE 6% PENALTY.**

**Method of withdrawing excess after tax filing due date.** If you do not correct your excess contribution in the manner prescribed above by the due date for filing your tax return, then you may withdraw the principal amount of the excess (no earnings need be distributed). The 6% penalty will, however, apply first to the year in which the excess was made and each subsequent year until it is withdrawn.

**Undercontribution method.** Another method of correcting an excess contribution is to treat a prior year excess as a regular contribution in a subsequent year. Basically all you do is undercontribute in the first subsequent year where you have an unused contribution limit until your excess amount is used up. However, once again you will be subject to the 6% penalty in the first year and each subsequent year that an excess remains.

#### J. REQUIRED DISTRIBUTIONS

**Taxation of distributions.** When you start withdrawing from your IRA, you may take the distributions in regular payments, random withdrawals or in a single sum payment. Generally all amounts distributed to you from your IRA are included in your gross income in the taxable year in which they are received. However, if you have made nondeductible contributions to your IRA, the nontaxable portion of the distribution, if any, will be a percentage based upon the ratio of your unrecovered nondeductible contributions to the aggregate of all IRA balances, including SEP and rollover contributions, as of the end of the year in which you take the distribution, plus distributions from the account during the year. All taxable distributions from your IRA are taxed at ordinary income tax rates for federal income tax purposes and are not eligible for either capital gains treatment or 5/10 year averaging.

**Age 70½ required minimum distributions.** Once you attain age 70½, you are required to take the minimum distributions from your IRA each year. Below is a summary of the IRA distribution rules.

You are required to take a minimum distribution from your IRA for the year in which you reach age 70½ and for each year thereafter. You must take your first distribution by your required beginning date, which is April 1 of the year following the year you attain age 70½. The minimum distribution for any taxable year is equal to the amount obtained by dividing your IRA balance as of December 31 of the prior year by the applicable divisor (provided by the IRS and located in IRS Publications 590).

The applicable divisor is generally determined using the Uniform Lifetime Table (provided by the IRS). The table assumes a designated beneficiary that is exactly 10 years younger than you, regardless of who you designated as your beneficiary(ies), if any. If your spouse is your sole designated beneficiary, and is more than 10 years younger than you, the required minimum distribution is determined annually using the actual joint life expectancy of you and your spouse obtained from the Joint and Last Survivor Table provided by the IRS, rather than the life expectancy divisor from the Uniform Lifetime Table.

**Death distributions.** If you die,

1. On or after your required beginning date, distributions must be made to your beneficiary(ies) over the longer of the single life expectancy of your designated beneficiary(ies), or your remaining life expectancy. If a beneficiary other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary of your IRA for the purpose of determining the distribution period. If your IRA does not have a designated beneficiary, distributions will begin utilizing your single life expectancy, reduced by one thereafter each year.
2. Before your required beginning date, the entire amount remaining in your account will, at the election of your designated beneficiary(ies), either
  - a. be distributed by December 31st of the year containing the fifth anniversary of your death, or
  - b. be distributed over the remaining life expectancy of your designated beneficiary(ies).

Your designated beneficiary(ies) must elect either option (a) or (b) by the December 31st of the year following the year of your death. If no election is made, distribution calculations will default in accordance with option (b). In the case of distributions under option (b), distributions must commence by the December 31st of the year following the year of your death.

If your spouse is the designated beneficiary, distributions need not commence until the December 31st of the year you would have attained age 70½, if later. If a beneficiary(ies) other than an individual or qualified trust as defined in the Regulations is named, you will be treated as having no designated beneficiary(ies) of your IRA for purposes of determining the distribution period. If there is no designated beneficiary of your IRA, the entire IRA must be distributed by the December 31st of the year containing the fifth anniversary of your death.

A spouse who is the sole designated beneficiary of your entire IRA may elect to redesignate your IRA at his or her own. Regardless of whether or not the spouse is the sole designated beneficiary of your IRA, a spouse beneficiary may roll over his or her share of the assets to his or her own IRA.

**CAUTION:** These transactions are often complex. If you have any questions regarding minimum distributions, please see a competent tax advisor.

In any distribution calendar year you may take more than the required minimum. However, if you take less than the required minimum with respect to any distribution calendar year, you are subject to a federal excise tax of 50% of the difference between the amount required to be distributed and the amount actually distributed.

## K. ROLLOVER IRAS

**Rollover contribution from another IRA.** A rollover from another IRA is any amount you receive from one IRA and roll some or all of it over into another IRA. You are not required to roll over the entire amount received from the first IRA. However, any amount you do not roll over will be taxed at ordinary income tax rates for federal income tax purposes.

**The following special rules also apply to rollovers between IRAs:**

1. The rollover must be completed no later than the 60th day after the day the distribution was received by you.
2. Regardless of how many IRAs you may own, you may only have one IRA to IRA rollover during a 12 consecutive month period measured from the date you received a distribution of an IRA which was rolled over to another IRA. (See IRS Publication 590 for more information.)
3. The same property you receive in a distribution must be the same property you roll over into the second IRA. For example, if you receive a distribution from an IRA of property, such as stocks, that same stock must be rolled over into the second IRA.
4. You are required to make an irrevocable election indicating that this transaction will be treated as a rollover contribution. Once made, the rollover election is irrevocable.
5. You are not required to receive a complete distribution from your IRA in order to make a rollover contribution into another IRA, nor are you required to roll over the entire amount you received from the first IRA.
6. If you inherit an IRA due to the death of the participant, you may not roll this IRA into your own IRA unless you are the spouse of the decedent.
7. If you are age 70½ or older and wish to roll over to another IRA, you must first satisfy the minimum distribution requirement for that year and then the rollover of the remaining amount may be made.
8. Rollovers from a SEP or an Employer-IRA follow the IRA to IRA rollover rules since your contributions under these types of plans are funded directly into your own IRA.

**Rollovers to Roth IRAs.** You may convert or rollover amounts from a Traditional IRA to Roth IRA, and the amount will be treated as a distribution for income tax purposes (less any amounts previously taxed). However, the 10 percent penalty tax does not apply to the

amount converted. If you are 70 ½ or older, the amount of your required minimum distribution must be removed prior to converting funds from the Traditional IRA.

**Taxation in rolling over from Traditional IRA to Roth IRA.** Any rollovers from an IRA to a Roth IRA after 12/31/98 will be fully includible in income the year in which rolled over. The 10% premature distribution tax shall not apply to the taxable amount of an IRA rolled to a Roth IRA. Income tax withholding will apply to the distribution. Note: The 10% premature additional tax will apply to a distribution from a Roth IRA of an amount that was rolled over from a traditional IRA if the distribution is made before the first day of the taxable year immediately following the 5-year period beginning with the year of the rollover unless an exception applies.

**Contribution conversion of Traditional IRA to Roth IRA.** Generally, the conversion of a traditional IRA to a Roth IRA is treated as a distribution and subsequent rollover conversion contribution. However, if an individual decides by their tax filing deadline (not including extensions) to transfer a current year contribution plus earnings thereon from an IRA to a Roth IRA, no amount shall be includible in gross income as long as no deduction was taken for the contribution. In addition, you are permitted to “convert” a contribution plus earnings from a Roth IRA to a traditional IRA by your tax filing deadline, including extensions.

**Qualified rollover contribution.** This term includes: (a) Rollovers between Roth IRA accounts; (b) Traditional IRA to a Roth IRA; and (c) employer-sponsored plan to Roth IRA rollovers. Qualified rollovers must meet the general IRA rollover rules outlined above, except that the 12 month rollover restriction shall not apply to rollovers between a traditional IRA and a Roth IRA or between an employer-sponsored plan and a Roth IRA. However, the 12 month rule shall apply to rollovers between Roth IRAs. A rollover conversion from a SEP IRA (provided the 2-year holding period has been met) to a Roth IRA is permitted.

**Rollovers from Employer-sponsored plans.** Employer-Sponsored Plans Eligible for Rollovers to IRAs—Rollovers to IRAs are permitted if you have received an eligible rollover distribution from one of the following:

1. A qualified plan under Section 401(a);
2. A qualified annuity under Section 403(a); or
3. A Tax-Sheltered Annuity (TSA) or Custodial Account under Section 403(b).

**Eligible rollover distributions after 12/31/92:** Eligible rollover distributions from a qualified plan, annuity, or TSA generally include any distribution which is not:

1. Part of a series of substantially equal payments that are made at least once a year and that will last for:
  - a. your lifetime (or your life expectancy), or
  - b. your lifetime and your beneficiary's lifetime (or joint life expectancies), or
  - c. a period of ten years or more.
2. Attributable to your required minimum distribution for the year; or
3. Attributable to a “hardship” distribution from a 401(k) plan.

**Direct rollover to another plan.** You can elect a direct rollover of all or any portion of your payment that is an "eligible rollover distribution," as described above. In a direct rollover, the eligible rollover distribution is paid directly from the Plan to an IRA or another employer plan that accepts rollovers. If you elect a direct rollover, you are not taxed on the payment until you later take it out of the IRA or the employer plan, and you will not be subject to the 20% mandatory income tax withholding otherwise applicable to Eligible Rollover Distributions which are paid directly to you. Your employer is required to provide you with a Notice regarding the effects of electing or not electing a direct rollover to an IRA or another employer plan. Although a direct rollover is accomplished similar to a transfer, the Custodian must report the direct rollover on Form 5498 as a rollover contribution.

**Eligible rollover distribution paid to you.** If you choose to have your eligible rollover distribution paid to you (instead of electing a direct rollover), you will receive only 80% of the payment, because the plan administrator is required to withhold 20% of the payment and send it to the IRS as income tax withholding to be credited against your taxes. However, you may still roll over the payment to an IRA within 60 days of receiving the distribution. The amount rolled over will not be taxed until you take it out of the IRA. If you want to roll over 100% of the payment to an IRA, you must replace the 20% that was withheld from other sources. If you roll over only the 80% that you received, you will be taxed on the 20% that was withheld and that is not rolled over. In either event, the 20% that was withheld can be claimed on your income tax return as a credit toward that year's tax liability.

**Special rules for surviving spouses, alternate payees, and other beneficiaries.** If you are a surviving spouse, you may choose to have an eligible rollover distribution paid in a direct rollover to an IRA or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA, but you cannot roll it over to an employer plan. If you are the spouse or former spouse alternate payee with respect to a Qualified Domestic Relations Order, you may have the payment paid as a direct rollover or paid to you which you may roll over to an IRA or another employer plan. If you are a beneficiary other than the surviving spouse, you can choose a direct rollover, but you can only roll the distribution to an "inherited" IRA (an IRA in the name of the decedent, but held for your benefit).

## L. SPOUSAL IRA CONTRIBUTIONS

**Eligibility.** An individual may make spousal IRA contributions on behalf of himself and his spouse if he is eligible to establish and contribute to an IRA in his own right (i.e., he must have "compensation" which is includible in his gross income). If you (the compensated spouse) are over the age of 70½ and your non-compensated spouse is under age 70½, then a contribution may still be made for the year into the IRA established by your non-compensated spouse. You must file a joint tax return for the year for which the contribution is made.

**Limitation on contributions.** In order to make spousal IRA contributions, separate IRAs are established for the individual and for his spouse. The maximum allowed limit on spousal contributions which may be deducted by the contributing spouse in a given tax year is the lesser of 100% of his compensation or \$11,000 (excluding any catch-up contribution) for tax year 2016 and 2017. This amount may be increased with cost-of-living adjustments in subsequent years. The maximum amount allowed as a deduction may be divided between the individual's IRA and the Spousal IRA in any manner provided the amount contributed to either IRA is not more than the maximum individual contribution limit as outlined above (\$5,500 for 2016 and 2017).

If your spouse will attain the age of 50 by the end of the taxable year (December 31), and is eligible you may make an additional "Catch-Up" contribution to the spouse's IRA. The maximum additional contribution limit is \$1,000 for tax years 2016 and 2017.

## M. FORM 5329

You must file IRS Form 5329 with your tax return for each tax year during which a premature distribution takes place or less than the required minimum amount is distributed.

If you are under age 59½ and receive a premature distribution from your IRA, an additional 10% income tax will apply on the taxable amount of the distribution.

If you make an excess contribution to your IRA and it is not corrected on a timely basis, an excise tax of 6% is imposed on the excess amount. This tax will apply each year to any part or all of the excess which remains in your account.

If you are age 70½ or over or if you should die, and the appropriate required minimum distributions are not made from your IRA, an additional tax of 50% is imposed upon the difference between what should have been distributed and what was actually distributed.

## N. ADDITIONAL SELF-DIRECTION REQUIREMENTS

Under the Custodian's Account Agreement, you are required to direct the Custodian with respect to the investment of funds in your account. In the absence of direction from you, or your Representative (as described in Section "O" below), the Custodian will not make or dispose of any investments or distribute any funds held in the account. The Custodian has no power or duty to question the direction of a specified investment, to review any investments held in the account or to make any suggestions to you with respect to the investment, retention or disposition of any asset in the account. The Custodian will not be liable for any loss of any kind which may result by reason of any action taken by it in accordance with direction from you or your Representative, or by reason of any failure to act because of the absence of any directions. The Custodian may refuse to execute an investment direction if it determines in its discretion that the investment would not be administratively feasible.

**Unrelated business taxable income.** There is an exception to the tax-exempt status of your IRA when you invest in any security which is debt-financed, or a limited partnership which actively conducts a trade or business rather than receiving passive income or which is publicly traded. Unrelated Business Taxable Income (UBTI) from such an investment may be taxable to your account if it exceeds \$1,000 in any tax year. For purposes of the \$1,000 limit, all of your IRA accounts are considered to be one account. These taxes are an expense of your account and should be paid by you using assets in the account, and should be filed utilizing IRS Form 990-T. Custodian does not calculate UBTI for your account and does not prepare Form 990-T. If your account has any investment which generates UBTI, you are responsible for preparing or having prepared on behalf of your IRA account the appropriate 990-T form. Upon completion, the form should be forwarded to Custodian for filing, along with instructions to pay any required tax.

**Growth in value.** As stated in the Custodian's Traditional Individual Retirement Account Custodial Agreement, the assets of your IRA account will be invested only at the direction of you or your Representative. You are entitled to direct the investment of the assets in your IRA in a wide variety of investments, but Custodian has no responsibility to offer investment advice, and will not offer any investment advice or assume any fiduciary responsibility with respect to which investments may be best for your IRA account and, because you are responsible for directing all investments, you



assume sole responsibility for the success or failure of your investments. The value of assets in your IRA account at any given time will depend upon the amount of your contributions, the mix of assets, and the performance of the investments you have chosen. Accordingly, growth and value of your IRA account is not guaranteed, and the value of the assets in your account at any given point in time in the future is impossible to predict. Except to the extent cash is invested in the Custodial NOW account, which is FDIC-insured, or directed into other FDIC-insured bank products, the IRA account is not FDIC-insured, nor guaranteed in any way by Custodian, or any government agency, or any other entity. Neither Custodian's acceptance, nor its rejection, of an investment direction is ever related in any way to the prudence, merit or viability of the investment and may not be considered, or construed, as either investment advice, the exercise of discretion with respect to investments, an evaluation of the investment's prudence or viability, or a determination that such investment in fact is, or is not, a prohibited transaction.

## O. REPRESENTATIVE PROVISIONS

If you have designated a Representative on your Account Application or on a form acceptable to Custodian, your designation is subject to the following provisions:

1. You recognize that Custodian is entitled to rely on directions from your Representative, and you agree that Custodian shall be under no duty to make an investigation with respect to any instructions received from your Representative. You also recognize that your Representative may choose to communicate investment directions to Custodian via an agent, such as his or her office staff or broker/dealer organization;
2. You are solely responsible for managing the investment of your IRA Account, and for directing your Representative. All instructions, directions, and/or confirmations received by Custodian from your Representative shall be assumed to have been authorized by you;
3. You recognize that such Representative is your agent, and not an agent, employee, or representative of Custodian;
4. You understand that your Representative may be a registered representative of a broker/dealer organization, a financial advisor, or other person that you deem acceptable;
5. You understand that Custodian has not made and will not make any recommendation or investigation with respect to your Representative, nor does Custodian compensate your Representative in any manner;
6. You may remove your Representative and either designate a new Representative or choose not to designate any representative, by written notice to Custodian on a form acceptable to Custodian. However, removal of a Representative will not have the effect of canceling any instruction, direction, or confirmation which has been received by Custodian from the Representative prior to the date that notice of removal is received and processed by Custodian; and
7. You agree to indemnify and hold Custodian harmless from any and all liability or claims, including, but not limited to, damages, court costs, legal fees, and costs of investigation as a result of (i) any loss or diminution of your IRA funds resulting from changes in the market value of such funds; (ii) reliance or action taken in reliance on written or oral instructions received from you or your Representative; (iii) any exercise or failure to exercise investment direction authority by you or by your Representative; (iv) Custodian's refusal on advice of counsel to act in accordance

with any exercise of investment direction by you or your Representative; (v) any other act or failure to act by you or your Representative; (vi) any prohibited transaction or plan disqualification due to any actions taken or not taken by Custodian in reliance on directions from you or your Representative; or (vii) any other act Custodian takes in good faith hereunder.

## P. CUSTODIAN FEES

A schedule of the Custodian's fees and charges is included with the IRA Application. This schedule may be amended from time to time upon 30 days' written notice to you. Custodian reserves the right to charge additional fees over and above those shown on the fee schedule for extraordinary services or expenses. Examples of extraordinary services include, but are not limited to, stop payment fees, incoming or outgoing wire charges, or checks returned for insufficient funds. You are responsible for the payment of all fees, expenses or other charges relating to your IRA account. If you do not pay such charges upon billing, or if you make an automatic withdrawal election, the fees, expenses and charges will be withdrawn from the assets of your account. Custodian, upon 30 days' written notice, may terminate and distribute your account for non-payment of fees and expenses.

Custodian will perform all sub-accounting, recordkeeping, and interest posting functions (where applicable) for the Custodial NOW account and may receive compensation for these services. Such compensation shall be administrative charges of the type which would be borne directly by the Custodial NOW account and/or paid to a third-party for similar services, but may exceed the amount Horizon Bank or other depositories would pay to a third-party providing such services. However, no portion of such sub-accounting, recordkeeping, and interest posting compensation paid by Horizon Bank or other depositories to Custodian will be charged to your account.

## Q. IRS APPROVAL AS TO FORM

The STRATA Trust Company Traditional Individual Retirement Custodial Account Agreement is treated as approved as to form by the Internal Revenue Service since it utilizes precise language of Form 5305-A currently provided by the Internal Revenue Service, plus additional language permitted by such form. The Internal Revenue Service approval is a determination only as to the form of the account, and does not represent a determination of the merits of the account.

## R. SUBSTITUTION OF NON-BANK CUSTODIAN

The non-bank Custodian shall substitute another trustee or custodian if the non-bank Custodian receives Notice from the Commissioner of Internal Revenue that such substitution is required because it has failed to comply with the requirements of Regulations section 1.408-2(e).

## S. ADDITIONAL INFORMATION

Additional information regarding Individual Retirement Accounts may be obtained from any district office of the Internal Revenue Service. In particular, you may wish to obtain IRS Publication 590, Individual Retirement Arrangements, by calling the IRS at (800) TAX-FORM or by going to the Internet, [www.irs.gov](http://www.irs.gov).

Revised 7.15.2017